



Date: August 28, 2020

To: The Honorable Jim Murphy
Chairman, House Pensions, Investments, and Financial Services Committee

Cc: Jason Briggs, Chief of Staff

From: Consumer Service Alliance of Texas

Re: Notice of Formal Request for Information
Tuesday, August 4, 2020
Requested Written Submissions Related to Effects of COVID-19 in Areas within the Committee's
Jurisdiction

These comments are provided by the Consumer Service Alliance of Texas ("CSAT") regarding the Texas House of Representatives Pensions, Investments and Financial Services Committee's ("PIFS's") request for information about the effects of COVID-19 from regulated entities within the Committee's jurisdiction.

CSAT appreciates the opportunity to provide information and data regarding the impact of COVID-19 on access to credit for consumers experiencing short-term financial emergencies, and is available to answer any questions committee members, staff and others may have about these comments.

Information about CSAT

CSAT is a non-profit trade association that advocates for the protection of financial choice based on informed decision-making and personal responsibility by Texas consumers. CSAT represents the interests of consumers and credit access businesses ("CABs") in the Texas marketplace.

CSAT's mission is to work cooperatively with industry, consumers, and government officials to help ensure Texans have access to short-term credit through financial services products in compliance with the law.

COVID-19 and Access to Credit for Consumers with Financial Emergencies

Hard working Texans can succeed if given the flexibility to do so... They make smart decisions about managing their money, even in the face of financial emergencies. Loan data during the COVID-19 pandemic offers solid proof. Predictions made by special interest groups about an overwhelming tsunami of payday and auto title loans have proven untrue. Repayments of outstanding short-term loans during March and April of this year reached unprecedented highs. Loan demand is down dramatically. The combination of government assistance and reduced work activity has resulted in a drop in the demand for loans --- and consumers have responded accordingly, and correctly.

<u>Week Ending</u>	<u>New Loan Applications</u>	<u>Approval Rate</u>
2-22-2020	100.0 %*	23.1 %
3-28-2020	65.7 %	13.5 %
4-25-2020	34.7 %	9.8%
5-30-2020	44.2%	13.6%

* Using the week ending February 22, 2020, as a baseline for the calculations of the percentages.

Data provided by the Office of the Consumer Credit Commissioner (“OCCC”) to the Texas Finance Commission at the Commission’s August 21, 2020, meeting includes “Preliminary Q2 (calendar 2020) data reports indicate total transaction volume (loans and refinances) decreased by 43% in Q2 compared to Q1 of 2020” (see page 143 of the Finance Commission meeting packet).

Despite claims to the contrary by special interest groups, repossessions of motor vehicles related to vehicle title loans in the months of April – June dropped 60% from the previous quarter (see attached “Additional Repossession Information” provided by the OCCC to the Finance Commission at the Commission’s August 21, 2020, meeting). Quoting from the data submitted by the OCCC, “A survey of companies and analysis of preliminary Q2 (calendar 2020) data found the increase in repossessions in Q1 was due to certain companies postponing repossessions scheduled for December of 2019 (during the holidays) and was not COVID-19 related”.

Litigation Related to the Constitutionality and Validity of Municipal Credit Access Business Ordinances

The City of Austin remains the only city of the 45 cities that enacted municipal ordinances restricting access to credit through small, short term loans by consumers experiencing financial emergencies actively enforcing its ordinance. Litigation initiated in 2011 about the constitutionality and validity (preemption by state statute) of the ordinance continues. Over the past nine years, state district courts and appellate courts have declined to accept jurisdiction over the merits of the constitutionality and validity claims raised against the ordinances by various credit access businesses because no city has collected fine for a violation of the ordinance.

A state court has yet to rule on the constitutionality or the validity of a city credit access business ordinance.